

**General Aniline
&
Film Corporation**

Annual Report
1944

GENERAL ANILINE & FILM CORPORATION

DIRECTORS

NEAL DOW BECKER, <i>President, The Intertype Corporation</i>	HERBERT R. GALLAGHER, <i>District Director in Charge of the Fifth District, Petroleum Administration for War</i>
COLVIN BROWN, <i>Vice President and Treasurer, Quigley Publishing Company, Inc.</i>	MATTHEW J. HICKEY, JR.,* <i>Senior Vice President, General Dyestuff Corporation</i>
GEORGE W. BURPEE,* <i>President</i>	LOUIS JOHNSON,* <i>President, General Dyestuff Corporation</i>
WILLIAM F. CAREY, <i>Commissioner of Sanitation, New York City</i>	THOMAS A. O'HARA,* <i>President, Colonial Ice Company and Central States Edison, Inc.</i>
ROBERT F. CARR,** <i>President, Dearborn Chemical Company</i>	ALBERT N. WILLIAMS, <i>President, The Western Union Telegraph Company</i>
WILLIAM H. COVERDALE,* <i>Senior Partner, Coverdale & Colpitts</i>	E. C. WILLIAMS,* <i>Vice President and Director of Research</i>
T. COLBURN DAVIS, <i>Chairman, Executive Committee, Missouri Pacific Railroad Company</i>	ROBERT E. WILSON,** <i>Chairman of the Board, Standard Oil Company (Indiana)</i>
VICTOR EMANUEL,* <i>Chairman of the Board, The Aviation Corporation</i>	

PRINCIPAL OFFICERS

GEORGE W. BURPEE, <i>President</i>	E. ALLAN WILLIFORD, <i>Vice President</i>
E. C. WILLIAMS, <i>Vice President</i>	JOE W. COFFMAN, <i>Vice President</i>
WILLIAM F. ZIMMERLI, <i>Vice President</i>	DAVID B. DYCHE, <i>Treasurer</i>
W. I. MCNEILL, <i>Vice President and Controller</i>	FRANCIS A. GIBBONS, <i>Secretary</i>

COUNSEL

T. F. DAVIES HAINES

EXECUTIVE OFFICES 230 Park Avenue, New York 17, N. Y.

<i>Transfer Agents:</i> CITY BANK FARMERS TRUST COMPANY 22 William Street, New York 15, N. Y.	CORPORATION TRUST COMPANY 15 Exchange Place, Jersey City 2, N. J.
<i>Registrars:</i> BANK OF THE MANHATTAN COMPANY 40 Wall Street, New York 15, N. Y.	COMMERCIAL TRUST COMPANY OF NEW JERSEY 15 Exchange Place, Jersey City 2, N. J.

* Members of Executive Committee.

** Resigned January 15, 1945.

*** Died January 22, 1945.

Income and Expense Classified by Source and Type

INCOME	1944
The company sold products valued at	\$73,311,000
And received dividends on stocks of other companies, interest on government securities, royalties, etc. of	1,093,000
Making total income from these sources of	<u>\$74,404,000</u>
EXPENSES	
To obtain the income shown above, the company spent or set aside, exclusive of taxes, the following approximate amounts for—	
Materials purchased and used	\$25,046,000
Wages, salaries and the cost of benefits for employees	21,587,000
Commissions paid to others	6,126,000
Wear and tear and obsolescence of buildings, machinery and equipment	1,879,000
Special charges not yet accurately determinable, such as renegotiation and deferred costs related to the war period	1,000,000
Other costs and expenses (net), including interest on debentures.....	788,000
To provide for federal, state and local taxes, the company paid or set aside approximately	14,386,000
Making a total of	<u>\$70,812,000</u>
THERE REMAINED NET PROFIT, before profit on the sale of securities, amounting to	\$ 3,592,000
In addition, the company sold securities at a book profit of	1,221,000
MAKING TOTAL NET PROFIT for the year equal to	<u>\$ 4,813,000</u>
The company paid its stockholders dividends amounting to	1,465,000
THIS LEFT A BALANCE available for investment in the business and payment of funded debt of	<u><u>\$ 3,348,000</u></u>

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To Stockholders: This report covers the company's third year of operation under the management of an American board of directors nominated by the Alien Property Custodian and elected by the stockholders.

The primary efforts of the entire organization have been—and are now—directed to meeting the needs of the military services. Dyestuffs, photographic film, reproduction materials and machines and chemical specialties have been available for ordinary civilian uses only to the extent that their production was deemed essential by governmental authorities or did not encroach upon military requirements. In recognition of the accomplishments of General Aniline employees in the production of war materials, the Army-Navy E now flies at each of the company's four principal plants.

Results of Operations

Net profit carried to surplus in 1944, including profit on sale of securities, was \$4,813,276 or \$6.57 per share of Common A Stock as compared with revised net profit of \$4,062,527 or \$5.54 per share in 1943.

Excluding profit on sale of marketable securities, which must be considered largely non-recurring, net profit in 1944 was \$3,591,929 or \$4.90 per share of Common A Stock. In the previous year revised net profit on a similar basis was \$3,605,069 or \$4.92 per share. Profit as stated above is after provision for Federal taxes on income of \$12,123,000 in 1944 and \$8,989,267 in 1943.

In these as well as other comparisons given in this report, net profit for 1943 has been restated to reflect the settlement of renegotiation proceedings

relating to that year by the refund to the government of an amount equivalent to \$362,273 after tax adjustments. The effect of this restatement is to reduce the provision for special accruals due to wartime operations—which was charged to income—and to increase net profit for 1943 by \$437,727 or 59¢ per Common A share.

It is impossible at this time to determine the effect of renegotiation on net profit for the year 1944. If, however, a basis comparable to that used in determining the amount of profit deemed to be excessive in 1943 is used in 1944, the allowance included as part of the provision for special accruals due to wartime operations should be adequate.

Results of operations for the five years ended December 31, 1944, are summarized below:

	1944	1943	1942	1941*	1940*
Net Sales	\$73,311,178	\$58,807,790	\$43,240,715	\$45,644,761	\$30,893,302
Profit from Operations.....	\$16,984,637	\$13,551,713	\$ 9,064,703	\$10,106,762	\$ 4,763,535
Dividends and interest on securities.....	653,440	657,561	690,015	1,446,126	1,394,956
Other income	439,508	334,974	250,061	296,881	266,656
Miscellaneous (deductions)	(496,777)	(362,060)	(394,777)	(345,717)	(232,520)
	\$17,580,808	\$14,182,188	\$ 9,610,002	\$11,504,052	\$ 6,192,627
Interest on debentures, including amortization of debenture discount and expense in 1944, 1943 and 1942	865,879	1,025,579	1,103,873	1,070,813	1,232,440
	\$16,714,929	\$13,156,609	\$ 8,506,129	\$10,433,239	\$ 4,960,187
Dividend on stock of I. G. Chemie.....	—	—	—	450,626	646,521
	\$16,714,929	\$13,156,609	\$ 8,506,129	\$10,883,865	\$ 5,606,708
Provision for Federal income and excess profits taxes	12,123,000	8,989,267	5,339,705	5,985,926	1,150,651
	\$ 4,591,929	\$ 4,167,342	\$ 3,166,424	\$ 4,897,939	\$ 4,456,057
Provision for contingencies	—	—	—	782,208	350,000
Provision for special accruals due to wartime operations (renegotiation, deferred costs related to the war period, etc.).....	1,000,000	562,273	109,250	—	—
Net Profit before Profit on Sale of Securities.....	\$ 3,591,929	\$ 3,605,069	\$ 3,057,174	\$ 4,115,731	\$ 4,106,057
Per share of Common A stock.....	\$4.90	\$4.92	\$4.17	\$5.61	\$5.59
Profit on sale of securities (less Federal income tax of \$94,828 in 1942, \$14,295 in 1943 — no tax in 1944).....	1,221,347	457,458	317,043	—	—
Net Profit	\$ 4,813,276	\$ 4,062,527	\$ 3,374,217	\$ 4,115,731	\$ 4,106,057
Per share of Common A stock.....	\$6.57	\$5.54	\$4.61	\$5.61	\$5.59
Provision for depreciation charged to costs and expenses	\$ 1,879,245	\$ 1,904,425	\$ 1,655,167	\$ 1,830,953	\$ 1,648,854

* Income accounts for the years 1941 and 1940 have been restated to conform to the classification followed in subsequent years. Unamortized debenture discount and expense, previously written off, was restored in 1942. Had amortization of debenture discount and expense been charged to income in 1941 and 1940, earnings in those years would have been reduced by \$252,587 and \$103,970, respectively.

Sales of \$73,311,178 in 1944 exceeded those of the previous year by \$14,503,388 or 24.7% and were the largest in the history of the company. More than half of this increase was accounted for by output of special war devices produced in the converted camera plant and by expanded government requirements for dyestuffs and synthetic detergents.

The remainder of the sales increase resulted from larger civilian and export consumption of dyestuffs, greater availability of photographic products for amateur use because of a temporary reduction in government requirements and continued growth in demand for sensitized products of the Ozalid Division. Generally lower prices prevailed on direct sales to the government, particularly in the case of photographic film.

Profit from operations increased \$3,432,924 or 25.3% to the record level of \$16,984,637. The ratio of operating profit to sales was 23.2%, practically the same as in 1943. The more detailed statements of consolidated profit and loss included in the financial statements show that "other selling, general and administrative expenses" increased from about \$6,331,000 in 1943 to \$10,052,000 in 1944 or by approximately \$3,721,000. Of the latter amount, approximately \$1,328,000 represented 1944 expenses which in 1943 were included in cost of sales; \$812,000 was the increase in New York State franchise taxes; \$747,000 arose from larger research and advertising expenditures; and the remainder of \$834,000 resulted from a 25% increase in sales and from higher costs.

The amount of depreciation charged to costs and expenses in 1944 was approximately the same as the amount that will be claimed for Federal income tax purposes. As a result of studies of the useful life of plant and equipment during the year, the company has adopted the policy of providing for depreciation of machinery and equipment at unit rates. Depreciation policy is described in more detail in Note 8 to the financial statements included in this report.

Dividends received from Winthrop Chemical Company amounted to \$500,000, the same as in

1943. The share of the company in the earnings of Winthrop was \$568,921 in 1944 as compared with \$700,175 in 1943.

Federal income and excess profits taxes were accrued in the amount of \$12,123,000 or 72.5% of net profit before taxes, excluding profit on sale of securities and provision for special accruals. Excess profits taxes are included in the amount of \$11,002,000, less the postwar credit of \$1,222,000. All of the postwar credit was utilized in connection with the redemption of \$5,000,000 principal amount of debentures during the year.

Net profit after deduction of the provision for special accruals due to wartime operations, but before profit on the sale of securities, amounted to 4.9 cents on each dollar of sales in 1944 as compared with 6.1 cents in the preceding year.

A book profit of \$1,221,347 was realized from the sale during the year of the company's entire investments in the capital stocks of E. I. du Pont de Nemours & Company, Standard Oil Company (N. J.), Consolidated Natural Gas Company, Standard Oil Company of California, Standard Oil Company (Indiana), Peoples Light & Power Company, and Minnesota & Ontario Paper Company; and from the sale of 13,600 shares of common stock of Libbey-Owens-Ford Glass Company. These securities previously had been written down by \$545,271 in conformity with the company's policy of stating investments at cost or market, whichever is lower. The distribution, in lieu of a cash dividend, of the 50% paid common stock of Internationale Gesellschaft fuer Chemische Unternehmungen A.G. (I. G. Chemie) resulted in a book loss of \$189,068, which has been charged to appropriated earned surplus, and a capital loss for tax purposes of \$1,394,291. As the loss for tax purposes exceeded capital gains for the year, no tax on such gains has been accrued.

Dividends

Dividends of \$2 per share on the Common A Stock and 20¢ per share on the Common B Stock were

paid on December 1, 1944, to stockholders of record October 26, 1944. As a step in disposing of the company's interest in I. G. Chemie, which is its sole European investment, the directors determined to grant stockholders, who already have an indirect ownership in this investment, the option to acquire the direct ownership of a part of it by the exercise of the right to take one-half of this dividend in 50% paid common stock of I. G. Chemie — on the basis of .025 share of such 50% paid stock in lieu of \$1 on each share of Common A Stock and .0025 share of such 50% paid stock in lieu of 10¢ on each share of Common B Stock. Under this option, 17,488 shares of the 50% paid common stock of I. G. Chemie were distributed to stockholders.

Financial Position

Working Capital. The company remains in a liquid position with cash and government securities of \$12,314,046, which is in excess of all current liabilities.

Inventories increased only \$621,586 or 3% during the year whereas sales were almost 25% above 1943.

Current liabilities include a provision for special accruals due to wartime operations in the amount of \$1,200,000 as compared with \$562,273 on a comparative basis at the beginning of the year (See Note 5 to the financial statements). The increase of \$637,727 resulted from charging special accruals with the net renegotiation settlement of \$362,273 for 1943, and crediting special accruals with \$1,000,000 deducted from income in 1944.

Net current assets increased \$855,837 during the year as follows:

	December 31		Increase
	1944	1943	
Current Assets....	\$40,229,787	\$37,152,071	\$3,077,716
Current Liabilities	9,786,185	7,564,306	2,221,879
Net Current Assets	<u>\$30,443,602</u>	<u>\$29,587,765</u>	<u>\$ 855,837</u>

The increase in net current assets is analyzed below:

Source of Funds:

Net profit for the year, before security profits	\$3,591,929
Depreciation charged to profit and loss.....	1,879,245
Proceeds (including profits) from marketable securities sold—net.....	2,082,102
Reduction in deferred charges.....	965,549
Changes in reserves and other items.....	483,343
Total	<u>\$9,002,168</u>

Application of Funds:

Retirement of debentures.....	\$5,000,000
Additions to plant and equipment, less retirements and sales of \$228,846.....	2,368,516
Dividends paid	\$1,465,335
Less: I. G. Chemie stock taken by stockholders in lieu of cash	687,520
Increase in net current assets (including \$297,638 resulting from consolidation of Canadian subsidiary)	855,837
Total	<u>\$9,002,168</u>

Investments. In 1944 the company sold all of its marketable securities with the exception of 5,900 shares of common stock of Libbey-Owens-Ford Glass Company. These remaining shares have been sold since the end of 1944.

Other than government securities and special deposits, the company's investments now are reduced to common stock of I. G. Chemie and to all of the outstanding Class B Stock of Winthrop Chemical Co. (Delaware). The latter investment is carried at cost of \$1,144,009.

The company plans to offer this investment in Winthrop Chemical Company for sale at public auction on April 23, but has reserved the customary right to withdraw the stock from sale at any time prior to that date. Sterling Drug, Inc., the owner of all of the outstanding Class A stock of Winthrop, has agreed with the company to bid at least \$9,500,000 for the Class B stock at this sale. The Alien Property Custodian and the Attorney General have given their approval of the proposed transaction.

Plant and Equipment. Additions to plant and equipment amounted to \$2,597,362 as compared with \$1,805,372 in 1943. The new film coating alley at the Ansco Division was completed in the latter part of the year and is now in operation. It provides an increase in coating capacity of about 25%.

As in 1943, shortages of materials have limited capital expenditures to those required for war purposes and for replacing equipment that was no longer safe or efficient.

By the expenditure of approximately \$3,800,000 for maintenance and repairs, the company's properties have been kept in sound operating condition.

Debt Reduction. On May 1 and November 1, 1944, respectively, \$3,000,000 and \$2,000,000 principal amount of debentures were redeemed at par, reducing the company's funded indebtedness from \$15,000,000 to \$10,000,000. Since January 1, 1942, the company has retired a total of \$8,000,000 principal amount of debentures. Funds received from the sale of securities since that date have amounted to approximately \$9,000,000.

Reserve for Contingencies. No change has been made in the reserve for contingencies of \$1,000,000 which was provided from earnings in 1940 and 1941 and is available to absorb such inventory losses as may result from the termination of military demand for dyestuffs and related products.

Production

The company operates through three divisions: General Aniline Works Division, Ansco Division and Ozalid Division. A summary of the products of each division is given on the outside back cover.

In the General Aniline Works Division the company has continued to meet promptly all demands made upon it by the military services. Products of the plants at Grasselli, N. J., and Rensselaer, N. Y., include a complete line of dyestuffs needed for uniforms, sweaters, blankets, tents, mosquito netting, camouflage cloth, field bags, gas mask webs, jungle cloth, leather boots and shoes and related equipment.

In addition, the war effort has demanded greatly increased production of synthetic detergents used in

special soaps effective in sea water, and of organic chemical agents for wetting, moth-proofing, prevention of mildew, tanning of leather and other purposes. Because of the extension of war activities in both the European and Pacific areas, the production of smoke colors has been greatly increased. These are used by the Army and Navy to direct the firing of long-range guns, because they enable the various batteries to identify their hits by the color of the explosion. They also are used by the armored divisions to produce small colored explosions as signals to friendly airplanes.

Technical developments by the company's chemists and engineers in the past two years have made it possible to produce certain critical dyestuffs—needed in unprecedented quantities by the military forces—in amounts more than double rated capacity without materially increasing manufacturing facilities. Despite the fact that military requirements declined for several months after the middle of the year and production was adjusted accordingly, total output of General Aniline Works Division in 1944 was 29% above 1943 and 66% above 1942. A sharp increase in procurement after the end of the year will, if sustained, require a new high level of output in 1945.

Ansco Division operated at virtual capacity throughout 1944 in the manufacture of photographic materials. Although the new coating alley was completed too late in the year to contribute to production, output of film products was somewhat higher than in 1943. Production for the military services included substantial amounts of aerial, X-ray, medical, reproduction and gun films, all of which carry low unit prices. Owing to a slackening in government requirements during part of the year, more Ansco film than in 1943 was available for amateur and professional use.

Color sheet film and color 16 mm. amateur motion picture film were introduced in limited areas in August, 1944, on indications that reduced government requirements would release a substantial amount for this purpose. As it happened, the demands of the military services for photographic materials increased so sharply during the fourth quarter that very little color film could be made available to the public. The Navy has placed orders for a con-

siderable footage of Ansco motion picture color film since the end of 1944.

Output of special war devices in the converted camera plant—principally dead reckoning equipment for the Navy and sextants and other instruments for the Army Air Forces—was more than twice 1943 volume on a dollar basis. The precision instruments manufactured by Ansco Division have developed an enviable reputation for quality.

Ozalid Division in 1944 further increased its production of sensitized paper and cellulose acetate films for the reproduction of drawings and printed or typed copy. In the early part of the year this division introduced a new black line paper which represented a substantial improvement over materials previously available. Growth of the division has been handicapped by shortages of paper stock and limitations on the capacity of equipment.

Army-Navy E

As a result of awards made at ceremonies held in May and November, 1944, respectively, the Army-Navy E flag now flies at the Grasselli and Rensselaer plants of General Aniline Works Division. Stars were added to the "E"s awarded in March, 1944, to employees of the Ansco and Ozalid Divisions and also to the Grasselli "E". The company is proud of the recognition given by the military services to the war production accomplishments of employees at each of its principal plants.

Exports

Prior to the outbreak of war in Europe, General Aniline was prohibited—with minor exceptions—from entering the export market. The company has adopted and is putting into effect with gratifying results an active program for expanding the sale of Ansco and Ozalid products in Latin America and is cooperating with its selling agent for dyestuffs, General Dyestuffs Corporation, in expanding the export sale of dyestuffs. Despite the limited amount of material available, exports in 1944 represented nearly 5% of total sales.

Research

Creation of an adequate research organization, which has been a major task of the American management, has been substantially accomplished. Activities of the research laboratories both at Easton, Pa., and at the various plants are contributing materially to the improvement of existing products and the development of new ones.

In building the research staff, the company has brought into the organization graduates of 59 American universities. The further increase of research activities is handicapped by the dearth of men who have been able to complete or even carry on their scientific education—a problem that is, of course, faced by all industry.

Retirement Plan

Although the company has had in effect for some time a Group Annuity Plan available to salaried employees earning \$3,000 or more annually, it has been the desire of the present management to offer a plan that would be open to all employees to help them build up financial independence for later years. After studies extending over more than a year this has now been accomplished in the Retirement Plan approved by stockholders at a special meeting held November 6, 1944.

In general, all regular employees who are at least 25 years old and have had three years of service with the company, or were members of a Group Annuity Plan, are eligible to join the Plan. The Plan is designed to provide for employees of long service a retirement income which, together with social security benefits, will approximate 50% of average annual earnings. Retirement income under the Plan is limited to a maximum of \$12,480 per year. Employees contribute to the cost of the Plan an amount equal to 2% of base earnings up to \$3,000 per year and 4% of earnings in excess of \$3,000. The company also has provided past service benefits for employees of long service without cost to them.

The company contributed \$391,000 to the Retirement Plan Trust in 1944 and estimates that its contributions for 1945 will approximate \$425,000, including 10% of the lump sum cost of past service

benefits. The Plan has been approved by the Commissioner of Internal Revenue.

More than 84% of eligible employees have joined the Plan.

Employee Relations

Management and employees continued to maintain the harmonious relationship that has existed for many years. The total number of employees has increased from 7,211 in January, 1944, to 7,642 in January, 1945. The 1944 labor turnover rate for the company was only about half that of the national average and the absentee rate was about two-thirds of the national average, both as reported by the National Industrial Conference Board.

Since October 1940, 2,108 employees, equivalent to 28% of the number on the payroll at the end of 1944, have entered the military services. Of these, 32 have died in service; and 143 have been discharged and returned to their former jobs with the company. Of former employees still on military leave of absence who replied to a questionnaire, 98% have indicated their intention of returning to the company.

The management is keenly aware of its obligations to returning veterans. The company has appointed a coordinator of veterans' reemployment who, in conjunction with plant physicians and the personnel departments, has developed procedures to assist in the placement of veterans in the type of work for which they are best suited.

Board of Directors

T. Colburn Davis was elected a director of the company on June 19, 1944, and Victor Emanuel on October 16, 1944.

The board has accepted with regret the resignation, effective January 15, 1945, of Robert E. Wilson who has been forced to discontinue his association with the company because of his election as chairman of the board of directors of Standard Oil Company (Indiana). Dr. Wilson had been a director of the company since March, 1942, and had made many contributions to its interests.

It is with sorrow that the board records the death of Robert E. Carr on January 22, 1945. The company has lost the services of a highly valued director and a wise counsellor, and his associates have lost a loyal friend.

Acknowledgment

This report would not be complete without an expression of appreciation to the more than 7,600 men and women of the General Aniline & Film organization whose loyalty and industry have made possible the accomplishments of the past year, and to the thousands of customers of the company, both in civilian life and government service, who have been most understanding and cooperative under the trying conditions imposed by war.

The directors and officers are particularly indebted to the Hon. James E. Markham, Alien Property Custodian, and the members of his staff, for counsel and assistance in bringing nearer the solution of numerous difficult problems.

By order of the Board of Directors,

GEORGE W. BURPEE,
President

New York,
March 22, 1945

GENERAL ANILINE & FILM CORP.

CONSOLIDATED

ASSETS	December 31	
	1944	1943
CURRENT ASSETS:		
Cash on hand and demand deposits.....	\$ 8,854,005	\$ 9,772,931
U. S. and Canadian Government securities (at the lower of cost or market)	3,460,041	1,374,529
Receivables—		
General Dyestuff Corporation (Note 1).....	\$ 2,599,183	\$ 2,410,054
U. S. Government departments and agencies.....	2,212,964	1,258,816
Other	2,327,417	2,124,233
	\$ 7,139,564	\$ 5,793,103
Less—Reserve for doubtful receivables.....	193,687	136,770
	\$ 6,945,877	\$ 5,656,333
Inventories (including \$1,973,150 in 1944 and \$2,271,521 in 1943 on consignment with General Dyestuff Corporation), priced at the lower of average estimated cost or market (Note 2)—		
Finished goods	\$ 6,552,876	\$ 8,124,549
Goods in process	9,131,555	6,973,382
Raw materials	3,899,605	4,178,120
Supplies, containers and goods in transit.....	1,385,828	1,072,227
	\$20,969,864	\$20,348,278
Total current assets.....	\$40,229,787	\$37,152,071
INVESTMENTS:		
Marketable securities, at the lower of cost or market (quoted market value, \$494,955 in 1944 and \$2,370,681 in 1943 (Page 12)	\$ 180,285	\$ 1,041,040
Winthrop Chemical Company (Del.), at cost (Note 3).....	1,144,009	1,144,009
Canadian subsidiary (consolidated in 1944).....	—	173,681
Postwar refund of excess profits tax.....	3,397	175,000
	\$ 1,327,691	\$ 2,533,730
INVESTMENT IN COMMON STOCK OF INTERNATIONALE GESELLSCHAFT FUER CHEMISCHE UNTERNEHMUNGEN A. G., BASLE, SWITZERLAND (Note 4).....	\$ 7,381,179	\$ 9,255,530
Less—Deferred uncalled for balance on 50% paid stock.....	662,467	1,660,230
	\$ 6,718,712	\$ 7,595,300
FIXED ASSETS, at cost:		
Land	\$ 778,327	\$ 757,758
Buildings and building equipment	13,780,359	12,876,761
Machinery, equipment, etc.	24,680,920	23,780,842
	\$39,239,606	\$37,415,361
Less—Reserves for depreciation (including special obsolescence reserve—Note 8)	18,172,775	16,841,256
	\$21,066,831	\$20,574,105
PATENTS, TRADE-MARKS AND FORMULAS.....	\$ 1	\$ 1
PREPAID EXPENSES AND DEFERRED CHARGES:		
Prepaid insurance, taxes, etc.	\$ 375,956	\$ 613,934
Unamortized debenture discount and expense.....	199,977	369,189
Deferred engineering and tooling expense (being amortized on the basis of deliveries under contracts)	65,561	622,257
	\$ 641,494	\$ 1,605,380
	\$69,984,516	\$69,460,587

Reference is made to the accompanying notes which are a

TION AND SUBSIDIARY COMPANIES

ANCE SHEETS

LIABILITIES	December 31	
	1944	1943
CURRENT LIABILITIES:		
Accounts payable	\$ 2,282,183	\$ 2,114,470
Taxes withheld at source.....	507,646	460,165
Accrued taxes, wages, etc.	1,743,864	1,059,635
Provision for special accruals due to wartime operations (renegotiation, deferred costs related to the war period, etc.) (Note 5)	1,200,000	562,273
Provision for Federal income and excess profits taxes.....	12,625,852	9,670,911
Less—U. S. Treasury Notes, Series B and C (including accrued interest thereon)	(8,573,360)	(6,303,148)
Total current liabilities.....	\$ 9,786,185	\$ 7,564,306
5½% DEBENTURES, DUE MAY 1, 1949.....	\$10,000,000	\$15,000,000
RESERVES:		
Contingencies (Note 2).....	\$ 1,000,000	\$ 1,000,000
Workmen's compensation self insurance, etc.	575,725	538,848
	\$ 1,575,725	\$ 1,538,848
CONTINGENT LIABILITIES (Note 6)		
CAPITAL STOCK AND SURPLUS (Note 7):		
Capital stock—		
Common A stock of no par value, stated at \$25.00 per share, authorized 3,000,000 shares, issued 529,701 shares.....	\$13,242,525	\$13,242,525
Common B stock of \$1.00 par value, authorized and issued 3,000,000 shares.....	3,000,000	3,000,000
Capital surplus	12,902,432	12,902,432
Earned surplus, per accompanying statement—		
Unappropriated	13,824,397	9,682,427
Appropriated pending determination of value of investment in Internationale Gesellschaft fuer Chemische Unternehmungen A. G., Basle, Switzerland (Note 4)	6,718,712	7,595,300
	\$49,688,066	\$46,422,684
Deduct—Stock held in treasury—		
Common A stock, 2034.02 shares in 1944 and 2031.68 shares in 1943, at cost.....	\$ 115,460	\$ 115,251
Common B stock, 950,000 shares, at par value of \$1.00 per share (cost \$1,900,000)	950,000	950,000
	\$ 1,065,460	\$ 1,065,251
Total capital stock and surplus.....	\$48,622,606	\$45,357,433
	<u>\$69,984,516</u>	<u>\$69,460,587</u>

egral part of the above consolidated balance sheets.

**GENERAL ANILINE & FILM CORPORATION
AND SUBSIDIARY COMPANIES**

STATEMENTS OF CONSOLIDATED PROFIT AND LOSS

	Year Ended December 31	
	1944	1943
NET SALES (Note 1).....	\$73,311,178	\$58,807,790
COST OF SALES.....	40,250,601	34,119,940
Gross profit on sales.....	\$33,060,577	\$24,687,850
DEDUCT:		
Commissions to General Dyestuff Corporation, sales agent for dyestuffs (Note 1)....	\$ 6,024,248	\$ 4,804,804
Other selling, general and administrative expenses.....	10,051,692	6,331,333
	\$16,075,940	\$11,136,137
Profit from operations.....	\$16,984,637	\$13,551,713
OTHER INCOME:		
Dividends and interest on securities.....	\$ 653,440	\$ 657,561
Royalties, discount on purchases, etc.	439,508	334,974
	\$ 1,092,948	\$ 992,535
OTHER DEDUCTIONS:		
Interest on debentures.....	\$ 696,667	\$ 905,208
Amortization of debenture discount and expense.....	169,212	120,371
Discount on sales, etc.	496,777	362,060
	\$ 1,362,656	\$ 1,387,639
Total	\$16,714,929	\$13,156,609
PROVISION FOR FEDERAL INCOME AND EXCESS PROFITS TAXES:		
Normal tax and surtax.....	\$ 1,121,000	\$ 1,118,267
Excess profits tax (less \$1,222,000 in 1944 and \$875,000 in 1943 representing credits used for debt retirement and postwar refund).....	11,002,000	7,871,000
	\$12,123,000	\$ 8,989,267
Total	\$ 4,591,929	\$ 4,167,342
PROVISION FOR SPECIAL ACCRUALS DUE TO WARTIME OPERATIONS (renegotiation, deferred costs related to the war period, etc.) (Note 5).....	1,000,000	562,273
Net profit before profit on sale of securities.....	\$ 3,591,929	\$ 3,605,069
PROFIT ON SALE OF SECURITIES (less Federal income tax of \$14,295 in 1943—no tax in 1944).....	1,221,347	457,458
Net profit transferred to unappropriated earned surplus.....	\$ 4,813,276	\$ 4,062,527

Provision for depreciation charged to costs and expenses amounted to \$1,879,245 in 1944 and \$1,904,425 in 1943.

Reference is made to the accompanying notes which are an integral part of the above statements.

**GENERAL ANILINE & FILM CORPORATION
AND SUBSIDIARY COMPANIES**

STATEMENT OF CONSOLIDATED EARNED SURPLUS

For the Year Ended December 31, 1944

UNAPPROPRIATED

Balance December 31, 1943, as adjusted:

(Balance per 1943 annual report, \$9,244,700, plus adjustment of \$437,727 resulting from renegotiation of 1943 business—Note 5).....	\$ 9,682,427
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Net profit for the year ended December 31, 1944.....	4,813,276
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Amount transferred from appropriated earned surplus in respect of 17,188 shares of 50% paid stock of I. G. Chemie accepted in lieu of cash by certain stockholders of General Aniline & Film Corporation in payment of dividend.....	687,520
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Earned surplus of Canadian subsidiary at January 1, 1944.....	106,509
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\$15,289,732

Dividend paid:

Common A—\$2.00 per share.....	\$1,055,335	
Common B—\$.20 per share.....	410,000	1,465,335

Balance December 31, 1944.....	<u>\$13,824,397</u>
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APPROPRIATED

(Appropriated pending determination of value of investment in Internationale Gesellschaft fuer Chemische Unternehmungen A. G., Basle, Switzerland—Note 4)

Balance December 31, 1943.....	\$ 7,595,300
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Deduct:

Excess of carrying value (quoted market value on Zurich, Switzerland exchange at December 31, 1940) over amount used for dividend purposes in respect of 17,188 shares of 50% paid stock of I. G. Chemie.....	\$ 189,068
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Amount transferred to unappropriated earned surplus in respect of 17,188 shares of 50% paid stock of I. G. Chemie accepted in lieu of cash by certain stockholders of General Aniline & Film Corporation in payment of dividend.....	687,520	876,588
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Balance December 31, 1944.....	<u>\$ 6,718,712</u>
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Reference is made to the accompanying notes which are an integral part of the above statement.

GENERAL ANILINE & FILM CORPORATION AND SUBSIDIARY COMPANIES

STATEMENT OF MARKETABLE SECURITIES

(Stated at the lower of cost or market; quoted market value
\$494,955 at December 31, 1944, and \$2,370,681 at December 31, 1943)

	December 31, 1944		December 31, 1943	
	Shares or Units	Amount	Shares or Units	Amount
E. I. du Pont de Nemours & Co., common stock	—	\$ —	5,400	\$ 579,150
Libbey-Owens-Ford Glass Co., common stock	5,900	1,967	19,500	6,500
Standard Oil Company (N. J.), common stock	—	—	53}	1,574
Consolidated Natural Gas Company, common stock	—	—	5}	
Standard Oil Company of California, common stock	—	—	10,000	188,750
Standard Oil Company (Indiana), common stock	—	—	5,900	124,638
Peoples Light and Power Company, Class B common stock.....	—	—	1,500	—
Peoples Light and Power Company, \$3.00 cumulative pre- ferred stock	—	—	1,500	—
Minnesota and Ontario Paper Company, common stock	—	—	300	—
New York City Serial Bonds, 4%, due May 1, 1959	10,000*	10,286	10,000*	10,286
New York City Corporate Stock, 4%, due May 1, 1959	5,000*	5,400	5,000*	5,400
New York City Corporate Stock, 4¼%, due Jan. 1, 1977.....	15,000*	15,900	15,000*	15,900
New York City Corporate Stock, 4¼%, due Nov. 15, 1978....	10,000*	10,900	10,000*	10,900
New York State Bonds, 1¾%, due April 19, 1944.....	—	—	40,000*	40,300
U. S. Treasury Bonds, 2%, due Dec. 15, 1947.....	10,000*	10,315	10,000*	10,315
U. S. Treasury Bonds, 2%, due Sept. 15, 1950-1952.....	47,000*	47,327	47,000*	47,327
U. S. Treasury Bonds, 2%, due June 15, 1952-1954.....	38,000*	38,190	—	—
U. S. Treasury Bonds, 2¼%, due Sept. 15, 1956-59.....	40,000*	40,000	—	—
Total		<u>\$ 180,285</u>		<u>\$1,041,040</u>

* Deposited with State of New York under Workmen's Compensation Act.

GENERAL ANILINE & FILM CORPORATION AND SUBSIDIARY COMPANIES

Notes to Consolidated Financial Statements For the Year Ended December 31, 1944.

1. *Distribution of Dyestuffs.* The dyestuffs and textile auxiliaries manufactured by the company are, with some minor exceptions, sold exclusively by General Dyestuff Corporation under arrangements more fully described in the Annual Report for 1942. Title to all of the capital stock of General Dyestuff Corporation has been vested in the Alien Property Custodian of the United States of America.
2. *Inventory of Dyestuffs.* Certain dyestuffs manufactured by the company are used indirectly for military and other government purposes and the related inventories have been substantially increased to enable prompt compliance with government requirements. Sales of such products are made through the regular trade channels and the company is not protected by forward contracts designed to cover possible excessive inventories on hand when the military demand ceases. The reserve for contingencies, provided in prior years, is believed by the management to be ample to cover any net losses that may result from the sudden termination of war requirements.
3. *Investment in Winthrop Chemical Company.* The investment in Winthrop Chemical Company has no quoted market price and is carried at cost of \$1,144,009. The company's share in the net profit of Winthrop Chemical Company for the year 1944, as shown by the financial statements of that company, amounted to \$568,921. Dividends received during the year amounted to \$500,000. The company plans to offer its investment in Winthrop Chemical Company for sale at public auction on April 23, but has reserved the customary right to withdraw the stock from sale at any time prior to that date. Sterling Drug, Inc., the owner of all of the outstanding Class A stock of Winthrop, has agreed with the company to bid at least \$9,500,000 for the Class B stock at this sale. The Alien Property Custodian and the Attorney General have given their approval of the proposed transaction.
4. *Investment in I. G. Chemie.* On December 31, 1944, the company owned 56,300 shares of fully paid and 11,412 shares of 50% paid Common Stock of I. G. Chemie. The stock is stated at quoted market value as of December 31, 1940, which is \$4,497,721 less than cost. Owing to war conditions the management has considered Swiss market quotations since December 31, 1940 to be of doubtful significance. For this reason, and in the absence of recent information as to the value of the net assets of I. G. Chemie, no adjustment of the share value of the stock has been made since that date; however, in 1942 the board of directors appropriated earned surplus in an amount equal to the net carrying value of the investment.

In 1944, the company's stockholders accepted 17,188 shares of 50% paid Common Stock of I. G. Chemie in lieu of cash dividends.
5. *Renegotiation.* Renegotiation proceedings for the year 1943 have been completed and, on the basis of the settlement made, the provision at December 31, 1943 for renegotiation, included in "Provision for special accruals due to wartime operations," was \$437,727 in excess of requirements. This amount was credited to earned surplus in 1944 but, for purposes of comparison, it has been reflected

in the accompanying statement of consolidated profit and loss for the year 1943 and in the balance sheet as of December 31, 1943.

Proceedings relating to renegotiation of contracts and subcontracts for 1944 have been initiated. It is impossible at this time to determine the results of such proceedings. If, however, a basis comparable to that used in determining the amount of profit deemed to be excessive in 1943 is used in 1944, it is the opinion of the company that the allowance included as part of the "Provision for special accruals due to wartime operations" will be adequate.

6. *Contingent Liabilities.* At December 31, 1944, there were certain civil lawsuits and claims pending against the company, which, in the opinion of the management, are immaterial in relation to the total assets or operations of the companies. In addition, four indictments have been returned against the company for alleged violation, prior to February 1942, of the Anti-Trust laws.
7. *Liquidation and Dividend Preferences.* The Certificate of Incorporation of the company, as amended, provides that in the case of liquidation or dissolution of the company, holders of Common A Stock shall first receive not in excess of \$75 per share of the assets available for distribution and thereafter shall participate in any remaining assets, share for share, with holders of the Common B Stock. The aggregate of the preference on liquidation or dissolution in respect of the 527,666.98 shares of Common A stock outstanding is \$26,383,349 in excess of the aggregate stated value of such stock. In the opinion of counsel for the company, there are no restrictions upon surplus growing out of the fact that the amount to which the holders of the Common A Stock are entitled in liquidation exceeds the stated value thereof.

The Certificate of Incorporation also provides that "for each one dollar (\$1.00) or fraction thereof, of dividends, declared and paid on each share of Common A Stock, dividends of ten (10) cents or fraction thereof, shall be declared and paid on each share of Common B Stock, and no dividend shall be declared and paid on either Common A or Common B Stock, unless at the same time dividends as herein provided are declared and paid on both Common A and Common B Stock."

As of December 31, 1944, title to 475,955 shares out of 527,666.98 outstanding shares of Common A Stock and all of the outstanding shares of Common B Stock of the company was vested in the Alien Property Custodian.

8. *Depreciation Policy.* During the year 1944, a property survey to determine the remaining useful life of each building and item of machinery and equipment (including emergency facilities) was completed by The American Appraisal Company. The computed reserve for depreciation at December 31, 1943, based on the estimated remaining lives, was \$4,301,350 less than the reserves shown on the books as of that date. The company adjusted the reserves on the books to the computed amount, and, as of January 1, 1944, adopted the policy of providing for depreciation on individual buildings and items of machinery and equipment at unit rates based on the new estimated lives. Emergency facilities having no indicated postwar use are being depreciated over a 60 month life. As a result of the change as of January 1, 1944 in the method of computing depreciation, the provision for the year 1944 was \$114,406 less than if it had been computed on the former basis.

Because of uncertainties as to the extent of obsolescence arising from developments during the war period, the adjustment of \$4,301,350, referred to above, has been credited to a special reserve for obsolescence of plant and equipment.

ARTHUR ANDERSEN & CO.

AUDITORS' REPORT

*To the Board of Directors,
General Aniline & Film Corporation:*

We have examined the consolidated balance sheet of General Aniline & Film Corporation (a Delaware corporation) and subsidiary companies as of December 31, 1944, and the statements of consolidated profit and loss and earned surplus for the year then ended, have reviewed the systems of internal control and the accounting procedures of the companies, and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary. We had previously made a similar examination for the year 1943. We were unable to obtain direct confirmation of certain receivables from Government departments and agencies, but we satisfied ourselves as to such receivables by other audit procedures.

The investment in Internationale Gesellschaft fuer Chemische Unternehmungen A. G., Basle, Switzerland is carried at quoted market value as of December 31, 1940 (see Note 4). Owing to war conditions, Swiss market quotations available since December 31, 1940 have been considered by the management to be of doubtful significance. For this reason and in the absence of recent information as to the value of the net assets of I. G. Chemie, no adjustment of the share value of the stock has been made since that date; however, in 1942 the Board of Directors appropriated earned surplus in an amount equal to the net carrying value of the investment.

Except for the effect of possible adjustments in connection with the investment referred to in the preceding paragraph, about which we are unable to express an opinion, the accompanying consolidated balance sheet and related statements of consolidated profit and loss and earned surplus, in our opinion, present fairly the consolidated position of the companies at December 31, 1944, and the results of their operations for the year ended that date, in conformity with generally accepted accounting principles which, except for the change in the method of computing depreciation and the establishment of the obsolescence reserve (see Note 8), in which we concur, have been applied on a basis consistent with that of the preceding year.

ARTHUR ANDERSEN & CO.

New York, N. Y.,
March 20, 1945.

PRODUCTS

— OF GENERAL ANILINE & FILM CORPORATION —

GENERAL ANILINE WORKS DIVISION

DYESTUFFS AND PIGMENTS (*for textiles, paper, leather, furs, plastics, paints, inks and other purposes*)

Vat

Azo (acid, basic, chrome, direct)

Triphenylmethanes (acid, basic)

Alizarines

Naphthols

Fast Color Salts and Bases

Rapidogens and Rapid Fast Colors

Cellitons and Cellitazols

Lake Colors

Sulphur Colors

Azosols, Nigrosines and Sudans

TEXTILE AUXILIARIES FOR

Wetting

Mothproofing

Fireproofing

Cleansing

Dispersing

Finishing

Leveling

TANNING AGENTS

DETERGENTS

MILDEW PREVENTIVES

DYESTUFF INTERMEDIATES

CARBONYL IRON POWDERS

IRON CARBONYL

POLECTRON DIELECTRIC RESINS

ANSCO DIVISION

AMATEUR FILM

Roll film

35 mm. cartridge film

16 mm. and 8 mm. motion picture film

PROFESSIONAL FILM

Portrait film

Graphic arts film

Film packs

35 mm. motion picture film

X-RAY FILM

Industrial

Medical

Dental

SPECIAL PURPOSE FILM

Aerial

Microcopying

Duplicating

PHOTOGRAPHIC PAPER

Contact

Projection

Proof

Reflex printing

ANSCO COLOR PRODUCTS

16 mm. reversible motion picture film

Reversible roll film

Reversible cut sheet film

Paper

Reversible Printon

Filters

CAMERAS AND ACCESSORIES

Amateur

Professional

DENSITOMETERS

PHOTOGRAPHIC CHEMICALS

TEMPLATE EMULSIONS

DARKROOM EQUIPMENT AND SUPPLIES

SPECIAL WAR PRODUCTS*

Sextants

Dead reckoning equipment

Drift meters

Aerial film printers

Collimators

Precision optical systems

OZALID DIVISION

OZALID WHITE PRINT MACHINES

DRY PHOTO PAPER

OZALID SENSITIZED PAPER AND FILMS

* Security considerations permit only partial listing.